

Market Place

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Alcohol Lawsuits And Stock Impact

THE slow accumulation of lawsuits against producers of alcoholic beverages, blaming their products for various injuries, has caused at least one analyst who follows the industry to reconsider his investment outlook. Early this month, Noel Sloan, who follows brewers for Kleinwort Greaveson Securities in London, switched his advice to clients regarding the Anheuser-Busch Companies from "buy" to "reduce holdings."

"Claims against alcohol companies now raise the possibility that the beer industry could face a series of product liability claims similar to those faced by the cigarette industry," Mr. Sloan said.

Mr. Sloan said that he was struck by a Pennsylvania case against privately held Stroh Brewery Company, which contends that relatively moderate consumption of Stroh's Old Milwaukee — two or three cans on four nights a week over a six-year period — had caused the death from acute pancreatitis of William Hon, a 20-year-old carpenter from Wilkes-Barre, Pa. Previous claims have involved far heavier consumption.

In addition, Mr. Sloan noted, there are several suits in Seattle blaming various alcoholic drinks for birth defects. The defendants in these "fetal alcohol syndrome" suits include Anheuser-Busch; Potter Distilleries; the Brown-Forman Corporation; the James B. Beam Distilling Company, a unit of American Brands Inc.; Heublein Inc., a unit of Grand Metropolitan P.L.C.; the G. Heileman Brewing Company, the Joseph Schlitz Brewing Company, a unit of Stroh; and the Olympia Brewing Company, a unit of the Pabst Brewing Compa-

ny, which is owned by the S&P Company.

All of the suits maintain that the children suffered from such conditions as mental retardation, problems of the central nervous system, heart and limb defects and malformed faces, because their mother's drank during pregnancy. The parents, represented by Barry M. Epstein, a Newark lawyer, do not say how much alcohol the mothers consumed but seek damages for past and future care.

Mr. Sloan said that the health problems associated with alcohol were far less common than those stemming from smoking. He noted, however, that alcoholic beverages do not carry warning labels, which have turned out to be an important defense in the cigarette litigation. He is also concerned that damage to unborn children stirs strong emotional responses that could attract bad publicity and result in a wave of new complaints.

The important point, Mr. Sloan maintained, is that cigarette stocks have already been discounted for the litigation problems. They stand at about a 30 percent discount to the market. Anheuser-Busch and other alcohol producers are not yet discounted for litigation worries and thus present a greater downside risk, he said.

"Clearly plaintiffs have major obstacles to overcome before winning a case against alcohol companies, as they did with the cigarette industry," Mr. Sloan said. "Nonetheless, when Wall Street focuses on this issue over the coming weeks and months the effect on sentiment — and share prices — could be dramatic."

Anheuser-Busch has drifted down from \$31.25 a share to \$29.375 on the New York Stock Exchange since Mr. Sloan's recommendation, but most of his colleagues say his fears are unwarranted.

"Alcohol litigation is not quite comparable to the tobacco suits because you have all these statistical correlations, healthwise," said Emanuel Goldman, the beverage analyst for Paine Webber Inc. "If you

don't abuse alcohol, nothing's going to happen to you."

Mr. Goldman could not disagree more with Mr. Sloan about Anheuser-Busch, which he believes clients should be aggressively accumulating. "It's in a class by itself," Mr. Goldman said. "Its position in the industry is unequaled."

And Joseph C. Frazzano, who tracks beverage stocks for Oppenheimer & Company, said: "It's highly unlikely anything will come of this. I don't see anything like the tobacco industry." Mr. Frazzano has both Anheuser-Busch and Brown-Forman on his recommended list.

"I haven't examined the suits, but my sense is that these cases have no basis or foundation whatsoever," said Martin Romm, who follows the industry for the First Boston Corporation.

Stephen K. Lambright, vice president of Anheuser-Busch, argued that the Kleinwort analyst had "greatly exaggerated the impact" of the lawsuits. The company said that every case involving alcohol abuse to date had eventually been dismissed and that it does not expect to see many suits in the future.

Alcohol producers dismiss the concern over the lack of a warning on their product. Some argue that women are warned by their doctors not to drink or smoke during pregnancy. Nevertheless, the demand for warnings is spreading along with the litigation.

Starting next October, alcohol companies operating in California will be required to use signs at point of sale warning of birth defects during pregnancy. Such signs are already required in New York City, parts of California and elsewhere. Warning labels are also proposed in Federal legislation by Senator Strom Thurmond, Republican of South Carolina, and Representative John Conyers Jr., Democrat of Michigan.

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